

Public Service Commission of Wisconsin
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Exhibit CUB-RSH-6

List of Merger Conditions from the Illinois Proceeding

Illinois CUB

Exhibit 1.0: Christopher Wheat (Mayor's Office, Director of Innovation Delivery Team)

- Conditions: (1) maintain the same proportion of Illinois members on the board of WEC as currently exists on Integrys for at least five years, (2) retain the same number and position composition of FTEs, (3) maintain or improve quality of PGL's local workforce by opening a local consolidated training facility in the City, (4) assure continued efforts to improve the quality of PGL's local workforce by extending its partnering arrangements with City Colleges and UWUA and implement the gas worker training program, (5) 5 million of shareholder funds into PGL's "share of the warmth" program as measure of PGL commitment to the community

Exhibit 2.0: Karen Weiger (Chief Sustainability Officer in City of Chicago)

- Conditions: (1) add 10 million in gas energy efficient programming that is not funded by ratepayers of PGL or NS (2) not increase the fixed charge portions of PGL and NS natural gas delivery service for the length of any freeze established in this proceeding (3) issue a public report examining the costs and benefits of implementing energy efficiency programming through a third party rather than through the utilities (4) create, maintain, and offer an electronically accessible energy use database for aggregated, building-level energy use, similar to ComEd's EUDS (5) work with the city and academic researchers to create an updatable database of actual usage patterns for all ratepayers of PGL and NS (6) change the On Bill Financing programs of both PGL and NS to open the program to more ratepayers and to fund a number of measures through the program

Exhibit 3.0: Williams Cheeks Junior (Deputy Commissioner of Department of Transportation)

- AMRP (Accelerated Main Replacement Program) conditions: wants additional oversight over AMRP
 - require weekly, block by block schedule of construction activities, field order authorizations and change orders, PGL must improve their performance with penalties if they fail to improve: [permitted timeframe adherence (on schedule), approved capital and O&M adherence, management reserve spending and budgeting, time needed to close field order authorizations and change orders, contractor hits on all facilities], training programs consolidated in Chicago
- quote: "relying on a long-distance management from an entity that takes such a casual approach to PGL's most important infrastructure program cannot support a conclusion that the proposed reorganization is certain not to diminish PGL's provision of safe and adequate service" see CUB exhibit 3.1 JA DRR to City 4.04

Exhibit 4.0: Michael Gorman – hired consultant (Brubaker & Associates)

- Conditions: Applicants should accept ring-fence provisions that ensure that PGL and NS fund their AMRP in a timely basis before dividend payments are made up to WEC, require a five year freeze in base rates to create to benefit ratepayers- could still use approved rider mechanisms, excluding the acquisition premium should expand to include “any severance packages provided to any executive officers or employees of the Joint applicants.
- Ring fence provisions: **“the joint applicants should commit to ring-fence protections to ensure that PGL and NS are able to fund their infrastructure investment and operations and maintenance programs before they increase dividend payments to WEC” “the ring-fence protection should remain in effect as long as the Qualifying Infrastructure Plant (QIP) rider program is in effect”** – “we should.. .propose enforceable ring-fence restrictions that limit its ability to require PGL/NS to make dividend payments or any other cash transfer to WEC before its planned AMRP budgets are fully funded, and PGL/NS are able to achieve their goal of making AMRP investments, and improving the safety and reliability of their delivery service infrastructure”

Attorney General’s Office

Exhibit 1.0: David Effron (regulatory consultant)

- Recommendations: condition approval on (1) any savings due to the difference between headcounts for test year and presented in rate case and employee headcount commitment be properly credit to customers by means of a rider (2) costs resulting from the in service of the ICE project properly credited to customers- as of now it is accounted for as a 19 million dollar cost

Exhibit 2.0 Sebastian Coppola AG Exhibit 2.0 (business consulting firm, Corporate Analytics Inc.)

- Conditions: (1) WEC should perform a thorough evaluation of the AMRP and scale program to level of replacement, should provide annual reports to the commission reconciling its actual vs. forecasted AMRP investments, (2) Peoples gas commits to transparent process of providing annual reports to Commission reconciling its actual vs. forecasted AMRP investments and provide financial and non-financial benefits realized from AMRP date, (3) Present the Commission an annual detailed work plan for the remainder of the AMRP programs, (4) Peoples Gas credit customers for all construction fines and penalties paid to the city of Chicago that were recovered in base rates or infrastructure rides

Staff

Exhibit 2.0 Eric Lonsberry

- Condition 1: provide additional information on PwC audit of the AMRP (Accelerated Main Replacement Program), must affirm commitment that it will be completed by 2030, implement all recommendations. Applicants in the past do not follow schedule, inadequate commitment to AMRP.
- Condition 2: address and update appropriate FTE employee levels to the amount discussed in DR ENGG 3.04, should be separated by individual companies (believes that increased staffing levels will be required by AMRP)

- Condition 3: provide a commitment regarding capital additional investment levels separated by gas company

Exhibit 3.0 Matthew Smith

- Condition 1: require Peoples Gas to implement a Pipeline Safety Management System (there have been numerous safety failures attributable to PGL that have been the subject of previous citation cases and sites examples where PGL was non-compliant with regulations)
- Condition 2: commission order applicants to implement a program to move all inside customer meters to accessible outside locations within 10 years of the effective date of the merger

Exhibit 5.0 Daniel Kahle

- Condition 1: Commission must verify that “allocation of any savings flow through to the ratepayers.” Provide documentation that costs related to reorganization are not included in revenue requirement in future rate cases. Should identify in all future rate filings, all costs included in the test period that result from reorganization and demonstrate that costs are not included in rate recovery
- Sub condition1: no need to for accounting entries to use push down accounting because gas companies have significant outstanding public debt and do not want to reflect the impact of the acquisition. If SEC requires it, then Commission should disregard it.

Exhibit 6.0 Dianna Hathorn

- Recommends a rider be adopted that provides for additional clarifications and restrictions (order them to file copy of signed Affiliated Interest Agreements), should file semi-annual compliance reporting, agree to have WEC Energy Group appear before Commission to report on status of applicants compliance
- Requires proper affiliated transaction and reporting accounting

Exhibit 7.0 Michael McNally

- Condition 1: requires companies to maintain separate credit facilities, not accessible to nor influenced by non-utility affiliates
- Condition 2: Prohibit gas utilities from lending to non-utility affiliates under Section 7-101 or Illinois Administrative Code Part 340
- Condition 3: Prohibit gas companies from guaranteeing any obligations of their non-utility affiliates
- Condition 4: Require WEC to notify the Commission before increasing its proportion of non-regulated operations and indebtedness
- Condition 5: Require gas utilities to register with SEC or to present a detailed study showing costs and savings of registration compared to remaining unregistered (makes it easier for them to sell securities)
- In general, first three insulate gas companies from their non-utility affiliates, fourth permits Commission to assess whether further action is necessary to insulate the gas companies, fifth offset any increase in gas companies’ cost of capital due to a ratings downgrade by increasing the liquidity of the debt securities

- Condition 6: “require the gas companies to file a compliance report with a copy to the manager of the commission’s finance department following the proposed reorganization that describes post-merger capital structures and identifies the capital structure adjustments that results from the proposed reorganization... If there are push down accounting adjustments to the Gas Companies’ balance sheets, then the commission should also require the Gas Companies to file a petition seeking Commission approval of the fair value studies and resulting capital structures for the Gas Companies’ pursuant to Section 6-10”
- Condition 7: not likely to satisfy 9-230 of the Act: the fact that S&P has downgraded the gas companies indicates that the credit rating could be downgraded as a result of reorganization which would likely increase the gas companies cost of capital. Recommends a study of the appropriate post-merger capital structures for gas companies
- Condition 8: joint applicants commit to not seek recovery of any costs related to time spent by witnesses on the development or presentation of cost of common equity size adjustments in future rate cases

RESA

Exhibit 1: Joseph Clark (Direct Energy in Government Affairs)

- Conditions:
 - Commitment from gas utilities to file tariffs for purchase of receivables (“POR”) programs
 - Re-instatement of expired intraday nomination tariff
 - Reduction of gas utilities pooling fees to be more in line with other utilities
 - Elimination of per minute charge for PegaSys (electronic bulletin board used by gas utilities) system access
 - Allow percentage of Income Payment Plan customers to enroll in an Alternative gas Supplier without being dropped from utility PIPP programs
 - Email, rather than mail, enrollment confirmations
 - Changes to billing service agreement language for the choices for you programs related to liquidated damages
 - “Enroll from your wallet” capability to ease ability of customers to enroll in the Choices for You Programs
 - Ability for suppliers to invoice and collect for non-commodity products and services using the consolidated bill
 - Utilities commit to maintain and improve both the LVT and Choice 65 programs other than for legal or regulatory changes that are not initiated by WEC or Integrys prior to our after closing